

## CHAPTER-I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2004, there were 66 Government companies (52 working companies and 14<sup>#</sup> non-working companies) and two Statutory corporations (both working) as against 76 Government companies (62 working companies and 14 non-working companies) and two working Statutory corporations as on 31 March 2003 under the control of the State Government. During the year, 18 State Transport companies were merged into seven Government companies and one new Government company viz., Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited was formed. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The State Government had formed Tamil Nadu Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 104 (2)<sup>Δ</sup> of the Electricity Act, 2003. The audit arrangements of Statutory corporations are as shown below:

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Tamil Nadu Electricity Board	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 185 (2)(d) of the Electricity Act, 2003*.	Sole audit by CAG
Tamil Nadu Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and Supplementary audit by CAG

# Non-working companies are those, which are under the process of liquidation/closure, merger, etc.

Δ Earlier provision of Section 34 (4) of the Electricity Regulatory Commissions Act, 1998 was repealed by the Electricity Act, 2003.

\* The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

**Working Public Sector Undertakings (PSUs)**

*Investment in working PSUs*

**1.2** As on 31 March 2004, the total investment in 54 working PSUs (52 Government companies and two Statutory corporations) was Rs.13,581.35 crore (equity: Rs.2,099.56 crore; long-term loans\*: Rs.11,481.79 crore) as against 64 working PSUs (62 Government companies and two Statutory corporations) with a total investment of Rs.11,496.85 crore (equity: Rs.1,863.10 crore; long term loans: Rs.9,633.75 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the pie charts.

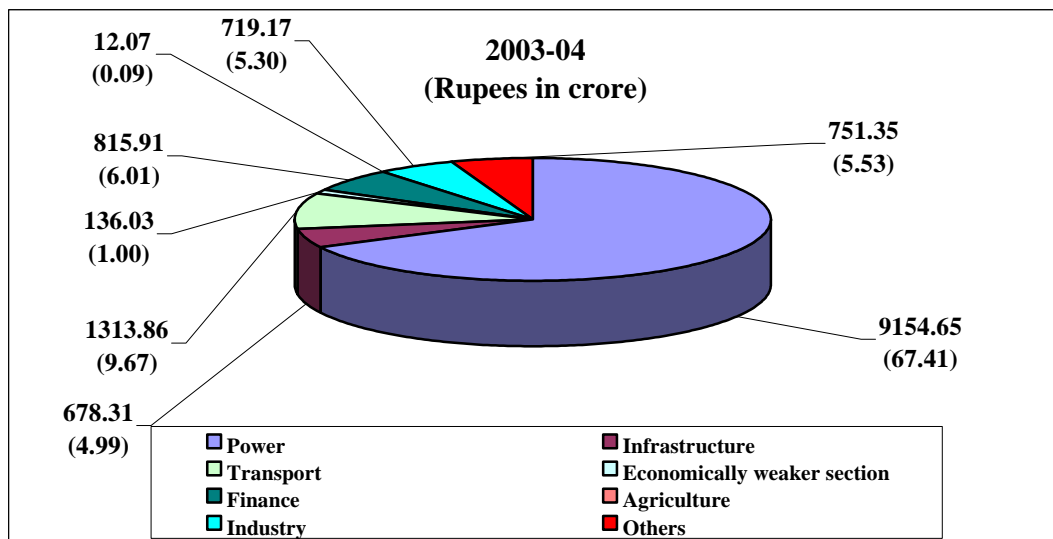
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\* Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4, 1.15 and 1.16 are excluding interest accrued and due on such loans.

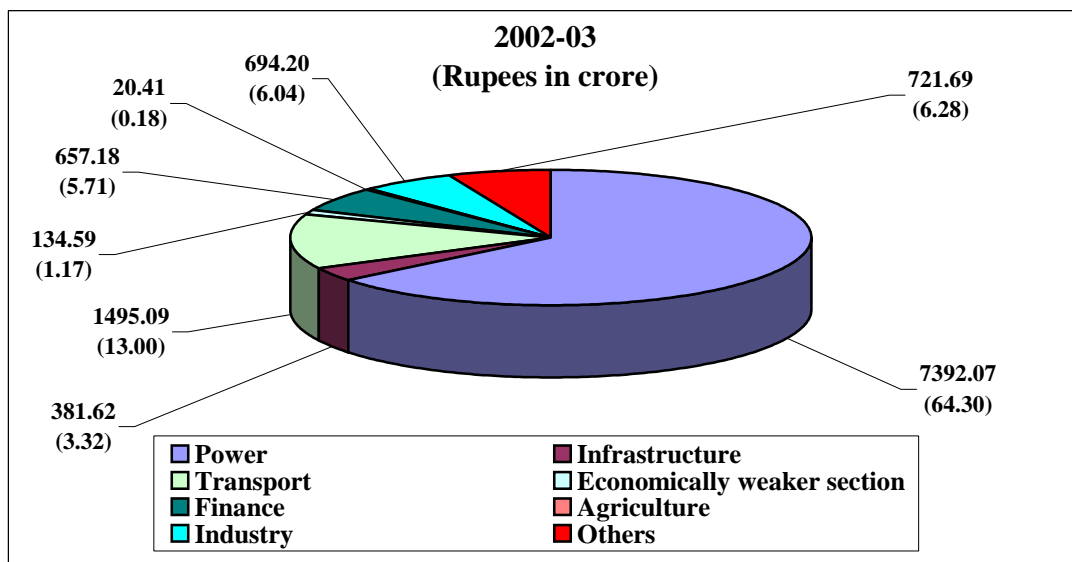
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**SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS**

**Total investment: Rs.13,581.35 crore**  
(Figures in brackets indicate percentage)



**Total investment: Rs.11,496.85 crore**  
(Figures in brackets indicate percentage)



**Working Government companies**

**1.3** Total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2002-03	62	1,630.49	2,466.68	4,097.17
2003-04	52	1,666.95	2,752.14	4,419.09

As on 31 March 2004, the total investment in working Government companies comprised 37.72 per cent of equity capital and 62.28 per cent of loans as compared to 39.80 and 60.20 per cent, respectively as on 31 March 2003.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1**.

**Working Statutory corporations**

**1.4** The total investment in two working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Tamil Nadu Electricity Board	225.00	7,167.07	425.00*	8,729.65*
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---
<b>Total</b>	<b>232.61</b>	<b>7,167.07</b>	<b>432.61</b>	<b>8,729.65</b>

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

**Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

**1.5** The details regarding budgetary outgo, grant/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and Statutory corporations are given in **Annexures-1 and 3**.

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♣ Provisional figures, as accounts are under finalisation.

The budgetary outgo (in the form of equity capital and loans) and subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to March 2004 are given below:

**(Amount – Rupees in crore)**

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	2	3.79	1	100.00	5	34.35	1	25.00	4	33.46	1	200.00
Loans given from budget	4	16.54	---	---	5	19.57	--	--	4	223.51	---	---
Grants	---	---	1	43.62	---	---	1	29.47	---	---	---	---
(i) Subsidy towards projects/ programmes/ schemes	10	1,354.99	---	---	9	1,373.60	---	---	10	894.86	---	---
(ii) Other subsidy	12	53.95	1	322.50	5	21.86	1	2,212.14	4	71.41	1	250.00
(iii) Total subsidy	22	1,408.94	1	366.12	14	1,395.46	1	2,212.14	14	966.27	1	250.00
<b>Total outgo</b>	<b>25*</b>	<b>1,429.27</b>	<b>1</b>	<b>466.12</b>	<b>19*</b>	<b>1,449.38</b>	<b>1</b>	<b>2,266.61</b>	<b>19</b>	<b>1,223.24</b>	<b>1</b>	<b>450.00</b>

During 2003-04, the Government had guaranteed loans aggregating Rs.1,138.45 crore obtained by nine working Government companies (Rs.350.26 crore) and one working Statutory corporation (Rs.788.19 crore). At the end of the year, guarantees amounting to Rs.7,378.89 crore against 18 working Government companies (Rs.2,736.85 crore) and one working Statutory corporation (Rs.4,642.04 crore) were outstanding. The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2003-04 was Rs.3.12 crore and Rs.22.83 crore, respectively.

### *Finalisation of accounts by working PSUs*

**1.6** The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from **Annexure-2**, out of 52 working Government companies and two Statutory corporations, only 37 working

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\* These are actual number of companies/corporation, which have received budgetary support in the form of equity, loan, subsidies and grant from the State Government during the respective years.

*Audit Report (Commercial) for the year ended 31 March 2004*

companies and one Statutory corporation have finalised their accounts for 2003-04 within the stipulated period. During October 2003 to September 2004, 16 working Government companies finalised 16 accounts for previous years. Similarly, during the same period one Statutory corporation (Tamil Nadu Electricity Board) finalised its accounts for previous year.

The accounts of 15 working Government companies and one Statutory corporation were in arrears up to three years as on 30 September 2004 as detailed below:

Serial No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl.No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	---	2001-02, 2002-03 and 2003-04	3	A-22	---
2.	1	---	2002-03 and 2003-04	2	A-30	---
3.	13	1	2003-04	1	*	B-1

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in Audit.

***Financial position and working results of working PSUs***

**1.7** The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 52 working Government companies and two working Statutory corporations, 23 companies incurred aggregate loss of Rs.178.96 crore and 29 companies and two Statutory corporations earned aggregate profit of Rs.184.65 crore and Rs.113.75 crore respectively.

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\* Serial numbers A-7, 8, 10, 12, 17, 29, 31 to 33, 35 and 49 to 51 of Annexure-2.

***Working Government companies***

***Profit earning working companies and dividend***

**1.8** Out of 37\* working Government companies, which finalised their accounts for 2003-04 by 30 September 2004, 22 companies earned an aggregate profit of Rs.96.62 crore and only six companies (serial numbers A-19, 21, 23, 24, 39 and 40 of **Annexure-2**) declared dividend aggregating Rs.8.14 crore. The dividend as percentage of share capital in the above six companies worked out to 12.18. The remaining 16 profit making companies did not declare any dividend. The total return by way of above dividend of Rs.8.14 crore worked out to 0.52 *per cent* in 2003-04 on total equity investment of Rs.1,579.72 crore by the State Government in all Government companies as against 0.40 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Similarly, out of 10 working Government companies, which finalised their accounts for previous years by September 2004, seven companies earned an aggregate profit of Rs.88.03 crore and out of these seven companies, five companies earned profit for two or more successive years.

***Loss incurring working Government companies***

**1.9** Of the 23 loss incurring working Government companies, 16 companies had accumulated losses aggregating Rs.1,955.29 crore, which exceeded their aggregate paid-up capital of Rs.715.67 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to seven out of these 16 companies in the form of equity, loans and subsidy amounting to Rs.1,070.83 crore during 2003-04.

***Working Statutory corporations***

***Profit earning Statutory corporation and dividend***

**1.10** Out of two Statutory corporations, one corporation (Tamil Nadu Warehousing Corporation) finalised its accounts for 2003-04. This Corporation earned a profit of Rs.1.18 crore and declared a dividend of Rs.31.39 lakh to the State Government. The other Statutory corporation (Tamil Nadu Electricity Board) which finalised its accounts for 2002-03, earned a profit of Rs.112.57 crore for that year. The accumulated losses of Tamil Nadu Electricity Board as on 31 March 2003 was Rs.1,295.63 crore, which exceeded the paid-up capital of Rs.225 crore as on that date.

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\* These includes six companies, which finalised their previous years' accounts also.

***Operational performance of working Statutory corporations***

**1.11** The operational performance of the working Statutory corporations is given in **Annexure-6**.

It could be seen from **Annexure-6** that the power generation by Tamil Nadu Electricity Board decreased by 3.27 *per cent* during 2003-04 though demand increased by 3.89 *per cent* during the same period. This necessitated increased purchase of power from other states.

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 90 *per cent* in 2000-01, came down drastically to 58 *per cent* in 2003-04, resulting in reduction of income.

***Return on capital employed***

**1.12** As per the latest finalised accounts (up to September 2004), the capital employed<sup>♦</sup> worked out to Rs.7,047.74 crore in 52 working companies and total return<sup>^</sup> thereon amounted to Rs.723.39 crore, which is 10.26 *per cent* as compared to total return of Rs.533.37 crore (6.55 *per cent*) in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2004) worked out to Rs.9,895.59 crore and Rs.791.48 crore, respectively as against the total return of (-)Rs.4,306.42 crore in 2002-03. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

**Reforms in power sector**

***Status of implementation of MOU between the State Government and the Central Government***

**1.13** In pursuance to Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed in January 2002 between the Ministry of Power, Government of India and the Department of Energy, Government of Tamil Nadu as a joint commitment for implementation of reforms programme in power sector with identified milestones.

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♦ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations, where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

^ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

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Status of implementation of reform programme against each commitment made in the MOU is detailed below:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2004)	Remarks
	<b>Commitments made by the State Government</b>			
1	Appointment of Chairperson in State Electricity Regulatory Commission (SERC)	January 2002	Appointed and assumed charge in July 2002	---
2	100 per cent electrification of all villages and hamlets	By 2007 (64,042 villages and hamlets)	63,842 villages and hamlets have been electrified	---
3.	Reduction in transmission and distribution losses to 15 per cent	By December 2003	Transmission and distribution losses - 18 per cent	Transmission and distribution losses continued to be at 18 per cent in 2003-04 also.
4.	100 per cent metering of all distribution feeders	December 2001	Completed	---
5.	100 per cent metering of all consumers	December 2003	All services except agriculture and hut services metered	As on 30 September 2004, 93,190 agriculture services and 59,427 hut services were metered. Remaining services in these categories are not metered as per TNERC directives.
6.	Current operations in distribution to reach at break-even	March 2003	There was a deficit of Rs.1,166.42 crore as per the preliminary accounts for the year 2003-04	---
7.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	---
8.	Computerisation of HT & LT billing	December 2002	HT billing fully computerized	LT billing in 90 sections out of 2,376 sections were computerized
9.	Securitized outstanding due of central public sector undertakings	As per scheme approved by Government of India	State Cabinet approved securitisation in April 2002. Government order issued in June 2002.	---
10.	State Electricity Regulatory Commission (SERC)			
	(i) Establishment of TNERC		Established in March 1999	---

	<b>Commitment as per MOU</b>	<b>Targeted completion Schedule</b>	<b>Status (as on 31 March 2004)</b>	<b>Remarks</b>
	(ii) Implementation of tariff orders issued by TNERC during the year	First Tariff petition to be filed by 30 September 2002	Since filed in September 2002 and first tariff revision effected from March 2003.	---
	<b>General</b>			
11.	Monitoring of MOU	Quarterly	Being monitored on quarterly basis.	---

### ***State Electricity Regulatory Commission***

**1.14** Government of Tamil Nadu constituted (March 1999) Tamil Nadu Electricity Regulatory Commission (TNERC), with three members including a Chairman, under Section 17(1) of the Electricity Regulatory Commissions Act, 1998\*. The Commission started functioning with effect from 1 September 1999. The Commission issued its first tariff notification in March 2003. Accounts of TNERC have been finalised up to March 2003.

### **Non-working PSUs**

#### ***Investment in non-working PSUs***

**1.15** As on 31 March 2004, the total investment in 14 non-working PSUs (all Government companies) was Rs.84.23 crore (equity: Rs.38.53 crore; long-term loans: Rs.45.70 crore) as against total investment of Rs.88.12 crore (equity: Rs.43.43 crore; long-term loans: Rs.44.69 crore) in 14 non-working companies as on 31 March 2003.

The classification of the non-working companies was as under:

(Amount – Rupees in crore)

Sl.No.	Status of non-working companies	Number of companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation*	2 <sup>A</sup>	3.95	NIL
(ii)	Under closure	8 <sup>B</sup>	27.31	45.70
(iii)	Under merger	2 <sup>C</sup>	5.20	NIL
(iv)	Others	2 <sup>D</sup>	2.07	NIL
	<b>Total</b>	<b>14</b>	<b>38.53</b>	<b>45.70</b>

\* Since replaced with Section 82(1) of the Electricity Act, 2003.

\* One Company, Tamil Nadu Goods Transport Corporation Limited, which was under liquidation, had been directed by the State Government to be merged with State Express Transport Corporation Limited. Approval of Company Law Board was awaited.

A Serial numbers C-7 and 11 of Annexure-2

B Serial numbers C-1 to 5, 9, 10 and 13 of Annexure-2

C Serial numbers C-8 and 14 of Annexure-2

D Serial numbers C-6 and 12 of Annexure-2

Of the above non-working PSUs, 10 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for three to 14 years and substantial investment of Rs.76.96 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

***Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity***

**1.16** The details regarding budgetary outgo in the form of loan to the non-working Government companies are given in **Annexure-1**. The State Government had given loan of Rs.3.51 crore to one non-working company (C-13 of **Annexure-1**) during 2003-04.

***Total establishment expenditure of non-working PSUs***

**1.17** The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2003-04 are given below:

(Amount – Rupees in crore)

Year	No of PSUs	Total establishment expenditure	Financed by		Others
			Disposal of investment/assets	Government by way of loans	
2001-02	10*	5.41	0.04	5.37	---
2002-03	2*	0.62	0.62	---	---
2003-04	3*	2.16	---	1.68	0.48*

***Finalisation of accounts by non-working PSUs***

**1.18** The accounts of nine non-working companies were in arrears for periods ranging from one to 12 years as on 30 September 2004 as could be noticed from **Annexure-2**.

***Financial position and working results of non-working PSUs***

**1.19** The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**.

The year-wise details of paid-up capital, net worth, cash loss and accumulated

\* Information in respect of other companies were not available.

♣ Interest and miscellaneous income.

loss/profit of non-working PSUs as per their latest finalised accounts are given below:

(Rupees in lakh)

Year of latest finalised accounts	Number of companies	Paid-up capital	Net worth	Cash loss	Accumulated loss (-)/profit
1989-90	1	32.66	N.A	N.A	(-)132.55
1991-92	1	0.002	(-)127.86	6.22	127.86
1993-94	1	207.36	(-)0.12	166.67	(-)207.48
1998-99	1	31.50	(-)61.57	2.39	(-)209.07
1999-2000	2	754.00	(-)7928.08	1,308.36	(-)8,682.08
2000-01	1	27.50	9.88	0.16	(-)17.62
2002-03	3	762.03	(-)3,260.53	747.47	(-)6,078.08
2003-04	4	2,038.12	(-)672.19	5.75	(-)2,731.49

### **Status of placement of Separate Audit Reports of Statutory corporations in Legislature**

**1.20** The following table indicates the status of placement of various Separate Audit Reports (SAR) on the accounts of Statutory corporations issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Tamil Nadu Electricity Board	2000-01	2001-02 and 2002-03	September 2003 and June 2004	---

### **Disinvestment, privatisation and restructuring of Public Sector Undertakings**

**1.21** During the year, the Government amalgamated 18 State Transport Undertakings (STUs) into seven STUs for operational convenience and economic viability. The Government had decided (November 2003) to amalgamate Tamil Nadu Goods Transport Corporation Limited, which is under liquidation, with State Express Transport Corporation Limited. The approval of Company Law Board was awaited (September 2004).

**Results of audit of accounts of PSUs by Comptroller and Auditor General of India**

**1.22** During October 2003 to September 2004, the audit of accounts of 48 Government companies (working: 44 and non-working: 4) and two accounts of two working Statutory corporations were selected for review. As a result of the observations made by the CAG, three working companies and one Statutory corporation, listed below, revised their accounts:

Sl.No.	Name of the company	Year of accounts
1.	Tamil Nadu Civil Supplies Corporation Limited	2002-03
2.	Tamil Nadu Corporation for Development of Women Limited	2002-03
3.	Tamil Nadu Salt Corporation Limited	2002-03
4.	Tamil Nadu Electricity Board	2002-03

In addition, the net impact of the important audit observations as a result of the review of the remaining PSUs were as follows:

Sl. No.	Details	Number of accounts			Rupees in crore		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	2	---	1	1.54	---	4.24
(ii)	Increase in loss	1	---	---	4.58	---	---

***Errors and omissions noticed in case of Government companies***

**1.23** Some major errors/omissions in case of Government companies noticed during review of accounts are given below:

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2003-04	Under statement of contingent liabilities	5.94
2.	Tamil Nadu Backward Classes Economic Development Corporation Limited	2002-03	Under statement of interest payment	1.15
3.	Tamil Nadu Small Industries Development Corporation Limited	2002-03	Non-provision for doubtful debts	1.07
			Excess accounting of receivables	1.64
4.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	2001-02	Non-provision for doubtful recoveries	1.05
			Non-provision for expenses	0.84

***Errors and omissions noticed in case of Statutory corporation***

**1.24** Some major errors noticed during review of accounts for 2002-03 of Tamil Nadu Electricity Board are given below:

Sl.No.	Errors/omissions	Amount (Rupees in crore)
1.	Overstatement of surplus due to non-provision of depreciation; non-provision for electricity duty payable to Government	27.49
2.	Overstatement of surplus due to non-analysis of deferred cost	4.59
3.	Understatement of liabilities	75.70

***Audit assessment of the working results of Tamil Nadu Electricity Board***

**1.25** Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2003-04 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts and not taking into account the subsidy/subventions received/receivable from the State Government, the net surplus/deficit, percentage of return on capital employed, capital invested will be as under:

(Rupees in crore)

Sl. No	Particulars	2001-02	2002-03	2003-04 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	(-)4,851.89	112.57	(-)1,166.42
2.	Subsidy from the State Government	322.50	2,212.14	250.00
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)5,174.39	(-)2,099.57	(-)1,416.42
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	21.61	(-)4.24	N.A
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)5,152.78	(-)2,103.81	N.A
6.	Total return on capital employed	(-)4,610.84	790.30	(-)465.19
7.	Percentage of total return on capital employed	---	8.02	---

**Recoveries at the instance of audit**

**1.26** Test check of records of Tamil Nadu Electricity Board conducted during 2003-04 disclosed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue or other observations aggregating to

Rs.88.57 crore in 1,123 cases. The Board accepted the observations in 685 cases and Rs.10.15 crore were recovered at the instance of audit.

### **Internal audit/internal control**

**1.27** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the Internal control/Internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas, which needed improvement. Directions/sub-directions under the Act, *ibid*, were issued to the Statutory Auditors in respect of 59 Government companies involving 65 accounts between October 2003 and September 2004. In pursuance of directions so issued, reports of Statutory Auditors involving 55 accounts of 49 Government companies were received (September 2004).

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in respect of State Government companies are indicated in the **Annexure-7**.

### **Recommendations for closure of PSUs**

**1.28** Even after completion of 19 to 27 years of their existence, the turnover of three Government companies (serial numbers A-4, 11, and 52 of **Annexure-2**) has been less than Rupees five crore in each of the preceding six years as per latest finalised accounts. One company (serial number A-11 of **Annexure-2**) had been incurring losses for four consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above three Government companies or consider their closure.

### **Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)**

**1.29** The following table indicates the details regarding number of reviews

and paragraphs pending discussion at the end of 31 March 2004:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	4	24	1	---
1996-97	5	24	1	---
1997-98	5	20	5	15
1998-99	6	23	6	19
1999-2000	4	24	4	21
2000-01	4	21	4	19
2001-02	3	29	3	23
2002-03	2	27	2	27

### **619-B companies**

**1.30** There were three companies coming under Section 619-B of the Companies Act, 1956. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.